

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1599 – SB 1649

April 17, 2018

**SUMMARY OF ORIGINAL BILL:** Establishes that any employer which accepts or employs a secondary education student in work-based learning (WBL) coordinated through such student's local education agency (LEA) shall not be liable for actions relating to that student unless the employer acted willfully or with gross negligence and may elect to provide worker's compensation insurance to compensate the participating student for an injury. Requires any such LEA to maintain liability insurance coverage for all students participating in WBL programs. Requires an LEA to maintain liability insurance coverage to compensate any student participating in a WBL opportunity, for any injury which is not covered by the employer's policy for workers' compensation.

Authorizes an employer, which accepts or employs a secondary education student participating in a WBL opportunity, to claim a \$500 tax credit against franchise and excise (F&E) tax liability. Such tax credit shall be available for the tax period covered in which the student is employed by the taxpayer. Such credit is nonrefundable, nontransferable, and shall be awarded on a first-come, first-served basis. Any unused credit may be carried forward for five years beyond the year in which the credit originated. A single taxpayer can earn no more than \$5,000 in excise tax credits per year. The maximum annual amount of excise credits that may be awarded by the credit established by this legislation is \$1,000,000.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$1,000,000/FY19-20 and Subsequent Years

Other Fiscal Impact – Mandatory increases in local expenditures for the provision of liability insurance coverage provided by local education agencies for students participating in work-based learning opportunities. The extent of any such impacts cannot be determined for they are dependent upon several unknown factors.

**SUMMARY OF AMENDMENT (017343):** Deletes and rewrites all language after the enacting clause such that the only substantive changes include: specifies that the bill as amended also applies to WBLs coordinated through a student's state institution of higher education, including, but not limited to, Tennessee Colleges of Applied Technology, and requires institutions of higher education to maintain liability insurance coverage for all students participating in WBL programs and requires a state institution of higher education to maintain liability insurance coverage to compensate any student participating in a WBL opportunity, for any injury which is not covered by an employer's policy for workers' compensation.

Creates a qualified work-based learning student grant program to be administered under the Department of Economic and Community Development (ECD). All funds appropriated, donated, or gifted will remain in the Qualified Work-Based Learning Student Grant Fund and any unspent funds will remain in the fund until expended for such purposes as identified within the proposed legislation. Individual grants are capped at \$5,000 per year and the total amount of grants provided for one year under the program are capped at \$1,000,000 annually.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue - \$1,000,000/Grant Fund**

**Increase State Expenditures - \$1,000,000/Economic and Community Development  
\$1,000,000/Grant Fund**

**Other Fiscal Impact – Mandatory increases in local expenditures for the provision of liability insurance coverage provided by local education agencies and state institutions of higher learning for students participating in work-based learning opportunities. The extent of any such impacts cannot be determined for they are dependent upon several unknown factors.**

Assumptions for the bill as amended:

- There will be a recurring appropriation earmarked from ECD to the newly created Qualified Work-Based Learning Student Grant Fund of at least \$1,000,000. This amount may differ in future years depending on the amount of donations or gifts to the fund.
- Grants will be expended from the fund in an amount not to exceed \$1,000,000 in any given fiscal year.
- The department will be able to administer the grant program within existing resources without an increased appropriation or reduced reversion.
- This legislation authorizes, but does not require an employer, who accepts or employs a student of a state institution of higher education or secondary education in a WBL opportunity, to provide such student with workers' compensation insurance.
- This legislation requires LEAs and state institutions of higher education to maintain liability insurance coverage for all students participating in such WBL programs.
- It further requires an LEA or state institution of higher education to maintain liability insurance coverage to compensate any student participating in a WBL opportunity, for any injury which is not covered by a policy for workers' compensation insurance.
- This legislation is estimated to result in an increase in the amount of liability insurance held by LEAs and state institutions of higher education to cover students participating in WBL opportunities.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/kml